

Andrew Tyrie MP
House of Commons,
London
SW1A 0AA

20 August 2012

Dear Andrew

I am writing in relation to the House of Commons Treasury Committee report on fixing LIBOR: some preliminary findings. I would like to make clear I share the Committee's view of the importance of this issue and the importance of ensuring that the facts and any lessons to be learnt are fully in the public domain.

Consistent with this objective, I am writing with regards to the report's findings concerning the original approval by the FSA of Mr Diamond as Chief Executive of Barclays in September 2010. In respect of this matter I would like to record the following facts which are supported by the internal file note taken at the time by the staff member present in the meeting. The existence of which Lord Turner referred to in his evidence to the Committee.

Firstly, I would like to make clear that the statement in paragraph 116 that the LIBOR investigation was not considered at the time of appointing Mr Diamond as CEO is not correct. The FSA was fully aware that the on-going investigation might come to conclusions which would be relevant to Mr Diamond's suitability. However, at the time, since the investigation was not concluded it would not have been appropriate to pre judge its outcome. The fact that there were certain conclusions which might be reached which would have precluded Mr Diamond from holding the CEO role were fully appreciated by the FSA at the time and were discussed at an Executive Committee and minuted. Furthermore, in the meeting on 15 September 2010, in which I handed the letter concerning Mr Diamond's appointment to Mr Agius, I specifically made clear that we reserved the right to re-assess his suitability in the light of the conclusions reached by this investigation and requested he make this clear to Mr Diamond. The reason this point was not made in the letter was because we did not wish to prejudice our enforcement process. The conversation I had with Mr Agius however was minuted by a staff member of the FSA and along with the letter forms part of the FSA's supervisory record.

Secondly, I would like to record that in that conversation, I made clear that our concerns about Barclay's culture were not some generic observation but specific to Barclays and asked that these concerns be communicated by Mr Agius to Mr Diamond. Mr Agius confirmed that he would do this. I made it clear that these issues would be a matter of on-going supervisory focus and would be followed up by our supervisory team.

I would be grateful if any further publications by Parliament on this issue reflected these facts. I am copying this letter to Lord Turner, Chairman of the FSA.

Kind regards,

A handwritten signature in dark ink, appearing to be 'H. Sants', with a horizontal line underneath.

Hector Sants

Copy to: Lord Turner, Chairman, Financial Services Authority

Further to Hector Sants' letter of 20 August, I have included below and attached the FSA records he refers to relating to Bob Diamond's appointment as Chief Executive of Barclays.

The record relating to the decision by the FSA to authorise Bob Diamond as Chief Executive of Barclays included the following minute on LIBOR:

"During the FSA's Executive Committee meeting of 7th September 2010 the subject of the LIBOR investigation in the USA was discussed and whether this may lead to enforcement action in respect of Barclays. From the information known at this stage ExCo determined that this has no bearing upon the suitability of Bob Diamond to undertake the CEO role".

Also attached is the file note of Hector Sants' meeting with Marcus Agius on 15 September 2010, during which Bob Diamond's appointment and the LIBOR investigations were discussed. To be aware, we have redacted from this note the names of any individuals below Head of Department level.

From:
Sent:
To:
Subject: FW: CONFIDENTIAL: Marcus Agius Meeting 15/09/10
CONFIDENTIAL: Marcus Agius Meeting 15/09/10
From:
Sent: 17 September 2010 11:02
To: Jon Pain; Clive Adamson; Graeme Ashley-Fenn
Cc: Hector Sants; Adair Turner; Margaret Cole
Subject: CONFIDENTIAL: Marcus Agius Meeting 15/09/10

Hector met with Marcus Agius (MA), Chairman of Barclays Group on 15/09/10. The purpose of the meeting was to confirm the FSA's approval for the application of Bob Diamond (BD) as CEO, Barclays Group and to explain the issues the FSA expects the Barclays Group Board to address in its ongoing governance and oversight of Bob Diamond in his role as Group CEO. These were detailed in the letter, dated 15/09/10, handed to MA in the meeting.

1) Relationship with the Regulator

HS explained that the relationship with BD had not reached the level of openness, transparency and willingness to air issues with the FSA as is the case with John Varley (current CEO). BD therefore needs further development in this area as he steps up to CEO. BD did not disagree with this point in the interview process and undertook to address.

MA agreed and said he would make sure BD steps up in the way he should. JV will also 'coach' BD in his remaining six months. MA added that whilst BD is very competitive and lost out in the previous CEO selection to JV, he suspects he will now see him mature and relax given he has now achieved his goal.

2) Succession Plan for Bar Cap

HS relayed supervisions concerns that the succession plans in place are effective and that the Co-CEOs have the depth of skills to manage and control this business now that BD will be devoting more time to managing the rest of the group.

MA confirmed that the board had thought carefully about this point and will monitor closely.

3) Culture, risk appetite and control framework

HS explained the FSA's historical concerns regarding Barclays risk appetite and control framework. He acknowledged the progress made by JV and the work underway addressing the FSA concerns. However, at the time of the FSA's concerns BD was managing the area within the

group where concerns were foremost therefore it is important that in his new role as CEO he ensure the continued progress of initiatives the group has commenced. MA confirmed that BD is fully on board with the processes in place and will not want to risk failing in this area. He added that it was the collective judgement of the board that BD will rise to these challenges and succeed.

4) LIBOR Investigation

HS finally briefed MA on an issue that is not contained within the letter and was not verbally relayed to BD.

HS explained that in reaching a judgement on this appointment the FSA had taken into consideration an ongoing investigation with regard to LIBOR that involved both the FSA and CFTC. Therefore agreeing to BD's appointment at this time was on the basis that the current view of the investigation does not have an adverse effect. However, HS stressed that this is an ongoing investigation and the FSA's position could change so the board should be aware.

MA confirmed that he will notify BD.

Chief Executive's Office

Financial Services Authority
25 the North Colonnade, Canary Wharf, London E14 5HS



Treasury Committee

House of Commons, Committee Office 7 Millbank London SW1P 3JA

Tel 020 7219 5769 Fax 020 7219 2069 Email treascom@parliament.uk Website www.parliament.uk/treascom

Hector Sants Esq
[via email]

13 September 2012

Dear Hector,

Thank you for your letter of 20 August about our Report on LIBOR and the FSA's dealings with Barclays at the time of the appointment of Bob Diamond as chief executive in 2010. The Committee has obtained from the FSA the records to which you refer.

Suitability of Bob Diamond as chief executive in 2010

The Chairman of Barclays, Mr Marcus Agius, told us (as recorded in paragraph 116 of our Report) that "These matters [the actions of traders in manipulating LIBOR submissions and the actions of Barclays in making lower LIBOR submissions during the crisis] were not raised by the FSA at that time [September 2010] as casting doubt on his suitability as CEO". You say, however, that Mr Agius's statement is "not correct". You tell us that you told him that the FSA's view on Mr Diamond's suitability might change as a result of the LIBOR investigation. Your view is supported by the FSA's minutes of your meeting with him.

Generic or specific concerns

You also told Mr Agius in September 2010 that the concerns you had about Barclays' culture were not generic but specific, and would be the subject of continuing supervisory focus from the FSA. Again, I note that this is at variance with the impression we received from Mr Agius. A related point, as we say in our Report, is that Barclays appeared to have regarded the matters you raised as "issues" rather than "concerns".

I am grateful to you for drawing both these points, and the supporting documentary evidence, to our attention.

I am copying this to Lord Turner, Chairman of the Financial Services Authority, and will be placing it in the public domain along with your letter and the FSA's reply to us.

Yours sincerely,
Andrew Tyrie

ANDREW TYRIE MP
CHAIRMAN OF THE TREASURY COMMITTEE